

September 21, 2005

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Federal Communications Commission
Office of Secretary

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Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Re: Applications for Consent to Transfer Control of Filed by Verizon Communications, Inc. and MCI, Inc., WC Docket No. 05-75 – REDACTED

Dear Ms. Dortch:

We are writing in response to an *ex parte* presentation made by Broadwing Communications LLC (“Broadwing”) on September 14, 2005, in which Broadwing simply repeats arguments that we have already addressed and refuted in other filings.

First, Broadwing argues (at 9) that the combination of Verizon and MCI will harm competition in the provision of high-capacity services by eliminating MCI as a significant supplier of these services and, thereby, causing prices for these services to increase. But as we have explained elsewhere, the limited areas where MCI and Verizon have overlapping facilities are areas of concentrated demand that have been targeted by multiple competing providers.¹ MCI’s transport facilities are not unique in any respect.

There are more than 90 different fiber suppliers in the 39 groupings of contiguous wire-center areas in Verizon’s region in which MCI has deployed local fiber (which are located in only 30 MSAs). There are 2 or more competing providers other than MCI in 92 percent of these areas, and at least one other supplier in all but one. At the individual wire center level, there is an average of six competing providers in addition to MCI. And competing carriers have obtained fiber-based collocation in more than 80 percent of the same Verizon central offices in which MCI has obtained collocation.² Other competing providers, therefore, have deployed fiber in the same areas as MCI. Not surprisingly then, even Broadwing concedes (at 9) that it purchases more of its DS1 and OCn level services from these “Other” CLECs than it does from AT&T and MCI combined and that it currently purchases as much as 20% of its DS3s from “Other” CLECs.

¹ See Letter from Dee May, Verizon and Curtis Groves, MCI to Marlene Dortch, Secretary, FCC, WC Docket No. 05-75 (Sept. 9, 2005).

² *Id.* at 2.

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Next, Broadwing argues (at 10) that it cannot economically self-supply access to individual customer buildings suggesting, again, that MCI is somehow a unique source of facilities-based competition to individual buildings. We have also demonstrated, however, that the overwhelming majority of the buildings where MCI has fiber are either already served by a competitive fiber supplier, or readily could be, either because the buildings are located close to an existing CLEC fiber ring or are in locations where the Commission has concluded that other providers can deploy fiber.³

Although Verizon and MCI have limited data, the data nonetheless show that of the [BEGIN CONFIDENTIAL] [END CONFIDENTIAL] buildings with MCI fiber in Verizon's region, there is at least one competing carrier that has already deployed fiber in [BEGIN CONFIDENTIAL] [END CONFIDENTIAL] or 49 percent of those buildings. And the remaining buildings are demonstrably suitable for competitive supply as well.⁴ At least [BEGIN CONFIDENTIAL] [END CONFIDENTIAL] of the remaining [BEGIN CONFIDENTIAL] [END CONFIDENTIAL] buildings are located within a quarter mile of a competitive fiber ring operated by a carrier other than MCI and [BEGIN CONFIDENTIAL] [END CONFIDENTIAL] are located within a half mile of competitive fiber.⁵ The majority of MCI lit buildings also are in areas that meet the Commission's own criteria for evaluating where it is economic to deploy fiber.

We have shown that 80 percent of MCI's *total* buildings with fiber are in locations that meet the "triggers" the Commission established for determining where competing providers are capable of deploying their own fiber. With respect to the subset of buildings where the limited information available to us has not identified another competitive supplier, at least 43 percent (or [BEGIN CONFIDENTIAL] [END CONFIDENTIAL]) are in locations where the Commission has concluded other providers can deploy fiber.⁶ See Attachment 1. Specifically, these buildings are in wire centers that meet the DS3 loop trigger because they have at least 38,000 business lines and four or more fiber-based collocators. This demonstrates that if MCI's facilities were no longer a source of competitive supply, other competitors could deploy competitive facilities to these buildings. As a result, Broadwing's assertions (at 10) that the competitive industry cannot replace MCI's local networks to connect to enterprise buildings and that Broadwing cannot self-supply also ring hollow.

Third, Broadwing (at 11) echoes the concerns of others that the combination of Verizon and MCI will increase the risk of discrimination in provisioning and pricing for special access services. As an initial matter, Broadwing's discrimination claims are not appropriate for consideration in this proceeding as they are already being addressed by the Commission in other,

³ *Id.* at 3.

⁴ *Id.* at 4.

⁵ *Id.* at 5.

⁶ See Letter from Dee May, Verizon and Curtis Groves, MCI to Marlene Dortch, Secretary, FCC, WC Docket No. 05-75 (Sept. 9, 2005) (Attachment 1).

industry-wide rulemaking proceedings.⁷ As the Commission has held, it is “more appropriate[.]” to address concerns regarding special access in “our existing rulemaking proceedings on special access performance metrics and special access pricing, so that the Commission may “develop a comprehensive approach based on a full record that ... treats similarly-situated incumbent LECs in the same manner.”⁸ And the Commission has repeatedly and consistently “declined to consider in merger proceedings matters that are the subject of other proceedings before the Commission.”⁹ Broadwing fails to explain why the Commission should change its practice in this proceeding.

Furthermore, as we have explained elsewhere, because the areas where Verizon’s and MCI’s facilities overlap represent only a small fraction of the total demand for special access services, it is not economically feasible to discriminate selectively in those areas.¹⁰ As we have shown, there are only a small number of locations where we have not been able, based on the limited information available to us, either to identify competing fiber or to show that the location is one where the Commission has found that others can deploy fiber. And those few locations are so geographically dispersed and account for such a small percentage of overall capacity and demand that any attempt by Verizon to raise prices in those locations would not be economically meaningful.

Moreover, Verizon’s special access prices are highly uniform geographically and are geared to the fact that the major purchasers of special access services typically require service at multiple locations across Verizon’s region, and across the country. To charge building-specific prices, Verizon would have to account for a number of variables such as: whether the building lacks competitive alternatives, what customers buy at that location and how much, at what other locations those customers buy services, the extent of competition at those other locations, what Verizon’s at-risk revenues are at those locations, and how much Verizon could raise prices there before customers would move to competitive alternatives. That all makes it implausible for Verizon to be able to increase special access prices based solely on the competitive conditions at certain isolated locations.¹¹

⁷ See Joint Opposition of Verizon Communications Inc., and MCI, Inc. to Petitions to Deny and Reply to Comments at 40 (“Joint Reply”).

⁸ See Memorandum Opinion and Order, *Applications of AT&T Wireless Services, Inc. and Cingular Wireless Corp. for Consent to Transfer Control*, 19 FCC Rcd 21522 (2004) (“Cingular/AT&T Wireless Order”).

⁹ See Memorandum Opinion and Order, *Applications for Consent to the Transfer of Control of Licenses and Section 214 Authorizations from Southern New England Telecommunications Corp. to SBC Communications, Inc.*, 13 FCC Rcd 21292 (1998) (“SBC/SNET Order”).

¹⁰ See Letter from Dee May, Verizon and Curtis Groves, MCI to Marlene Dortch, Secretary, FCC, WC Docket No. 05-75 (Aug. 25, 2005) (attaching Special Access White Paper) at 50-58.

¹¹ *Id.* at 53.

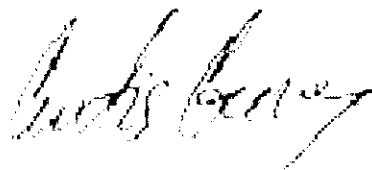
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Finally, Broadwing repeats (at 8) its claim that the transaction, along with the SBC/AT&T merger, will result in two "mega-peers" with the "potential to . . . dominate the market," for Internet backbone services. However, as we have repeatedly demonstrated, the transaction will not give the combined Verizon/MCI market power in the Internet backbone business. The combined company will carry less than 10% of North American Internet traffic, it will rank fourth among seven comparable or larger backbone operators, and operators other than those seven will carry approximately 35 percent of Internet traffic.¹²

Sincerely,



Dee May
Verizon



Curtis Groves
MCI

cc: Julie Veach
William Dever
Ian Dillner
Gail Cohen
Tom Navin
Don Stockdale
Gary Remondino

¹² See, e.g., Reply at 70-80; Letter from Dee May, Verizon and Curtis Groves, MCI to Marlene Dortch, Secretary, FCC, WC Docket No. 05-75 (Aug. 8, 2005)

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